

File

Ram Petroleums Limited

Annual Report 1975



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RAM PETROLEUMS LIMITED

(Incorporated under the laws of Ontario)

Executive and Head Office

Suite 520, The Simpson Tower, 401 Bay Street, Toronto, Ontario M5H 2Y4

Directors

Howard R. Barclay
Richard H. Krempulec
Ralph W. McDowell
Robert J. Opekar
R. Bredin Stapells, Q.C.

Transfer Agents

The Metropolitan Trust Company
Toronto, Ontario
The Bank of Butterfield Executor
and Trustee Company Ltd.
Hamilton, Bermuda

Officers

Robert J. Opekar, President
Howard R. Barclay, Vice-President
Richard H. Krempulec, Secretary

Auditors

Dunwoody & Company
Toronto, Ontario

Exploration Manager

Cyril J. Hadley, P.Geol., P.Eng.

Banker

The Bank of Nova Scotia
44 King Street West
Toronto, Ontario

Staff Geologist

Robert O. Cochrane, P.Geol., P.Eng.

Staff Lawyer

Roger Barton, B.A., LL.B.

General Counsel

Stapells & Sewell,
Toronto, Ontario

REPORT TO SHAREHOLDERS

Due to the sale of your company's principal natural gas pool in 1974, gas and oil sales were drastically lower in 1975. A second reason for low 1975 sales was the delay in placing Ram's Michigan wells on production. This is now taking place and royalty income and oil and gas sales for the first quarter of 1976 were \$376,164 as opposed to \$86,515 for the same period in 1975. Income from royalties and oil and gas sales should approach the rate of \$2 million per annum when all proven properties are on stream.

The most important development during 1975 was an exchange of leasehold interests in Rich County, Utah, between Ram Petroleum Inc., your company's wholly-owned United States subsidiary, and Cities Service Company. As a result of the exchange Ram Petroleum Inc. received a 31% interest in 62,285 acres of oil and gas leases. The Cities-Ram acreage was farmed out to American Quasar Petroleum Co. of New Mexico which carried out extensive seismic surveys over the Cities-Ram leases. Because of favourable results in the surveys Quasar has advised Cities-Ram that it will drill a deep test this summer to test the Nugget Sandstone formation to earn half of the Cities-Ram interest in a portion of the above-described acreage. To earn a 50% interest in all of the acreage Quasar will have to drill two additional deep exploratory wells. Ram estimates that, in the event that Quasar drills three deep exploratory wells, it will have spent approximately \$10 million in earning its 50% interest, leaving Cities with 34.5% and Ram with 15.5%. A more detailed description of the significance of what is going on in this most exciting Overthrust Belt drilling play can be found on page 5 of this annual report.

Your company's policy of grass roots geological studies of prospective areas in the United States followed by an aggressive program of land acquisition and evaluation by geophysical means has worked out well, as instanced by what is happening in Utah. In keeping with this policy Ram has recently filed on 246,979 acres of federal and state oil and gas leases in Iron and Beaver Counties in southwestern Utah. This area is thought to be underlain by the Navajo Sandstone, an equivalent to the Nugget Sandstone, which has been the centre of so much interest in northeastern Utah and southwestern Wyoming. Oil and gas leases were also recently acquired in northeastern Nevada. Studies are continuing which may result in further lease acquisition programs in other parts of the Rocky Mountain region of the United States.

Your company has a substantial present investment and a large potential for growth in the United States. In the past, United States operations have been conducted by Ram Petroleum Inc., a wholly-owned subsidiary. However, in view of increasing American operations, your board has decided that a United States corporation, owned directly by the Ram shareholders, is a more appropriate corporate framework for this future growth. Initially it was thought that a distribution of Ram Inc. shares to Ram shareholders would achieve this. But, because such a distribution would result in a tax payable by Ram shareholders, another course was decided upon. Therefore in early May your board approved the sale of the non-producing assets held by Ram Petroleum Inc. at their fair market value to Ramoco Inc., a Delaware corporation. All of the shares of Ramoco Inc. were issued to Ram but were transferred to The Metropolitan Trust Company to be held for distribution to you when regulatory approvals are obtained and a tax ruling is received ensuring that the Ramoco share distribution will not be subject to income tax.

When the approvals, which are presently being sought, are obtained, the trustee will be instructed to deliver to you one share of Ramoco Inc. for every

two shares of Ram that you own. Rather than participating indirectly, you, as a shareholder of Ramoco, will be a direct participant in the future growth of our American operations.

A moderately successful drilling program was conducted in Ontario and Michigan resulting in a number of discoveries in Michigan. In 1976 your company plans to participate in approximately twenty exploratory wells in the Michigan Basin. It should be noted that your company's better prospects will be tested later this year and should result in a considerable increase in future income or a substantial reduction of future exploration expenditures depending on whether the 1976 exploration program is successful or not.

In Ontario there has been a change in the policies of the main buyers of indigenously produced natural gas. Ontario producers will, in future, be paid a price for their gas which will approximate the price paid by the major gas distributors in southern Ontario for western Canadian gas. Ram foresees a price payable to Ontario producers of about \$1.80 per mcf by the end of 1976. This price is absolutely necessary to provide producers with the incentive and, if successful, the cash required to continue the search for local supplies of natural gas.

Recent successful drilling in the Canadian Arctic Islands indicates that some of the major operators have a better understanding of where to find substantial additional supplies of gas. In Ram's view this enhances the prospect for development of 107,504 acres farmed out to Imperial Oil Limited offshore southwest of Amund Ringnes Island in Hassel Sound.

In the eastern Arctic your company regained control of 1,087,410 acres of oil and gas permits which had been farmed out to a partnership of Gulf Canada and Gulf U.S. in 1971. The Gulf companies conducted an extensive seismic program over the Ram permits and as a result of this data Ram reduced its holdings to 393,818 acres sufficient to cover two extremely interesting and large geophysical features delineated by the Gulf surveys. Negotiations are presently underway with other companies to enter into an agreement to develop these properties further.

Your company's various mining interests are discussed elsewhere in this report. I would only note here my disappointment that the Mexican silver property of Mextor Minerals Limited, a Ram affiliate, was not successfully farmed out during 1975.

During 1976 your company and its subsidiaries will expend approximately \$2.4 million to maintain its properties in good standing, to develop these properties through geophysical and drilling activity and to acquire new properties in promising areas. No outside financing will be required to do this. With increased income in 1976 Ram looks forward to a strengthening of its financial position.

Subject to approval by the shareholders at the forthcoming Annual and Special General Meeting, your company's board will be increased from five to seven members. Cyril (Cy) J. Hadley, Ram's manager of exploration, and Donald C. (Ben) Webster, president of Helix Investments Limited, will stand for election. Cy Hadley spent seventeen years with Imperial Oil Limited as an exploration geologist in almost every province in Canada with hydrocarbon potential before joining Ram in 1970. Ben Webster has been president of Helix, a Toronto based venture capital and investment company, since 1968.

April 20th, 1976

R. J. OPEKAR, President

RAM PETROLEUMS LIMITED

PRINCIPAL EXPLORATION AREAS



- 1. ARCTIC ISLANDS** (Sverdrup Basin)
Federal oil and gas exploration permits
72,491 acres, Ram 75%, Forest Oil 25%,
107,504 acres, Ram 75%, Imperial Oil 25%
- 2. NORTHWEST TERRITORIES** (Great Bear Basin)
Federal oil and gas exploration permits
550,058 acres, 4% gross overriding royalty
- 3. DAVIS STRAIT OFFSHORE BAFFIN ISLAND**
(Cumberland Basin)
Federal oil and gas exploration permits
393,818 acres, 100%
- 4. SASKATCHEWAN**
Lignite coal, exploration leases
28,960 acres, 100%
- 5. UTAH**
Petroleum leases
11,169 acres, 100%, Ram Petroleum Inc.
62,285 acres, 31%, Ram Petroleum Inc.
69%, Cities Service Co.
- 6. MICHIGAN** (Michigan Basin)
Petroleum leases
40,542 net acres of 67,281 gross acres,
Ram Petroleum Inc.
- 7. ONTARIO** (Michigan Basin)
Petroleum leases
69,579 acres, 100%
- 8. OFFSHORE NOVA SCOTIA** (Scotia Shelf)
Provincial oil and gas exploration permits
666,970 acres, 100%
- 9. MEXICO**
Mextor-Pinabete Mining Area
Silver, copper, gold, lead, zinc prospects
Ram 91.6% owner of Mextor Minerals Limited.

UTAH

County	Acres
1 Beaver	81,279
2 Box Elder	9,210
3 Cache	1,959
4 Iron	165,700
5 Rich	62,285 — Ram 31% — Cities Service 69%

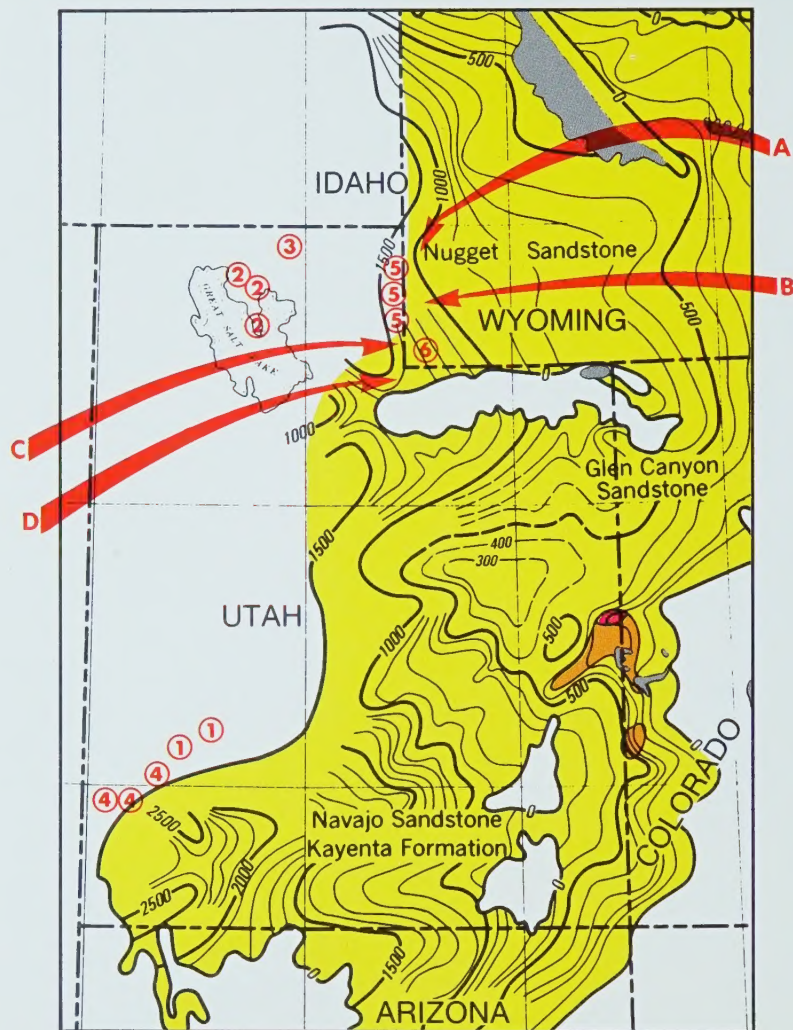
WYOMING

6 Uinta	640
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- A Exxon drilling location
 B Amoco #1 Champlin
 Gas-condensate discovery
 C Anschutz drilling location
 D American Quasar Newton Sheep #1
 Pineview Oil discovery

EXPLANATION LITHOFACIES SYMBOLS

-  Sandstone
 Shaly sandstone
 Sandy shale
 Precambrian crystalline rocks exposed.
 — 500 — Isopach line, thickness in feet. Solid
 — — — where generalized from U.S. Geological
 Survey Paleotectonic maps; dashed
 where extended across deep basins.



After U.S.G.S. and R.M.A.G.

UTAH OVERTHRUST BELT

GREEN RIVER BASIN

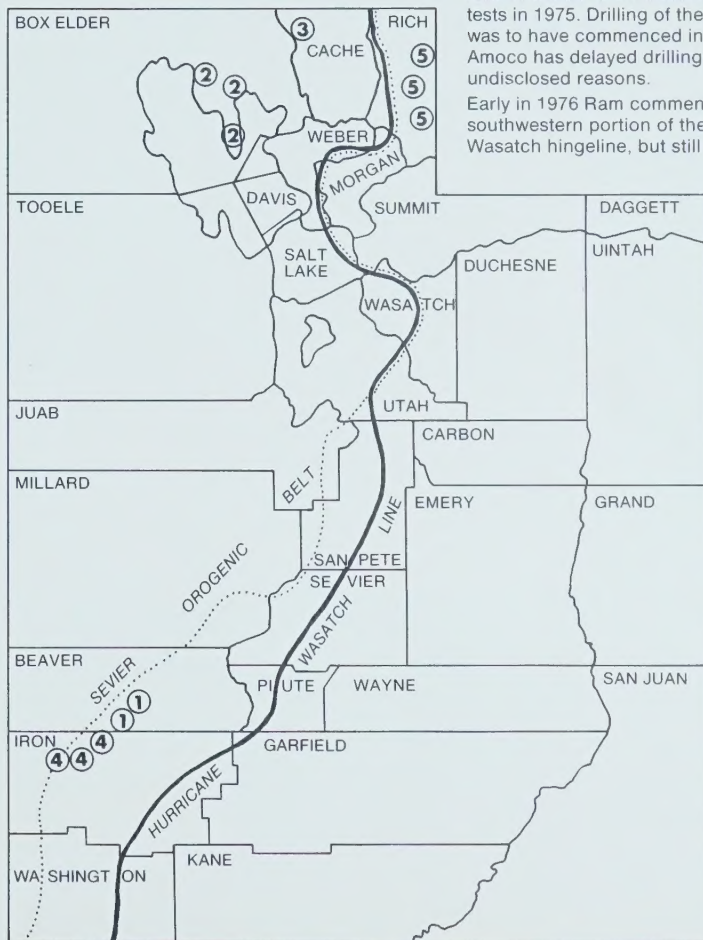
In 1973 Ram began a leasing program in Rich County, Utah. The program was based on the view that the Overthrust Belt on the western edge of the Green River Basin was a neglected petroleum province with great potential. Ram acquired 23,000 acres lying in a northeasterly trend along the Bear River valley from the Town of Randolph.

In early 1975, following a major discovery by American Quasar Petroleum Co. of New Mexico near the Town of Coalville, leasing activity in the Overthrust Belt increased dramatically. Ram merged its acreage with Cities Service Company, a major United States oil company, to form a joint block of 62,285 acres. Ram and Cities then granted an option to Quasar to conduct seismic surveys and a three-well program on the block. During the summer and fall of 1975 Quasar surveyed the Ram-Cities acreage and recently committed to drill the first well in the Ram-Cities block. Drilling to test the Nugget Sandstone is expected to commence early this summer.

In January 1976, Amoco made a gas-condensate discovery in the Wyoming portion of the Overthrust Belt about twenty miles from Randolph. The Amoco well reportedly has almost 500 feet of productive pay zone in the Nugget Sandstone. Other exploratory locations have been staked in the Overthrust Belt to test the Nugget Sandstone; an Exxon site about twenty miles northeast of Randolph and an Anschutz test about thirty miles southeast of Randolph.

The excellent reservoir characteristics of the Nugget Sandstone, combined with the thickness of the pay zones encountered in recent discoveries, indicate that fields of major size will be the rule rather than the exception in the Overthrust Belt play. As these circumstances demonstrate, Ram's early investment in this area has matured into a significant participation in a major exploratory venture.

Utah county map showing the Sevier Orogenic Belt and the Hurricane Wasatch Line.

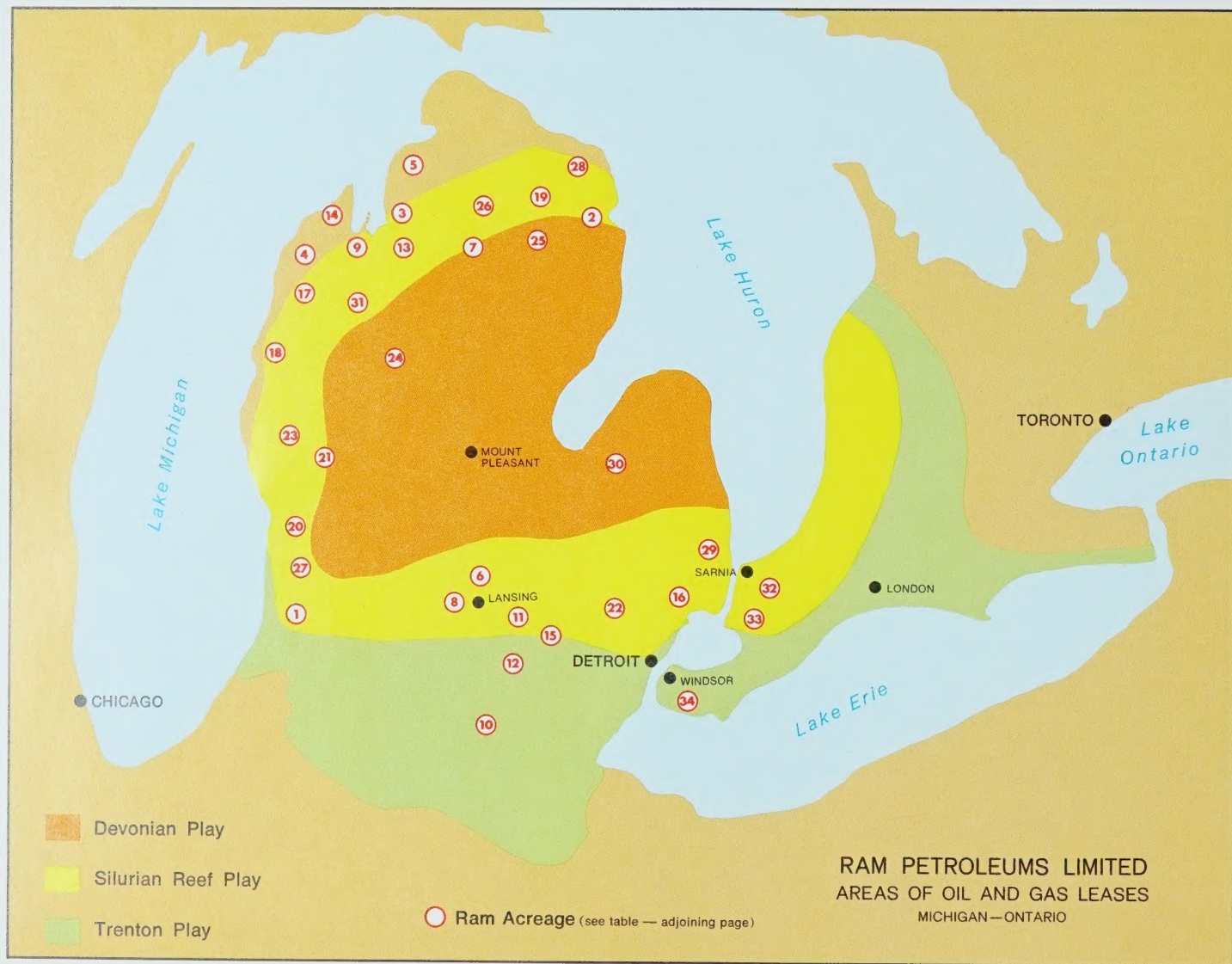


GREAT BASIN

The leasing program commenced by Ram in 1973 in the Great Basin area of the State of Utah was temporarily suspended in 1975 pending further geological study of the Basin. Ram has 11,169 acres under oil and gas lease adjacent to, and beyond, the northeastern margin of the Great Salt Lake where Amoco staked the locations for two exploratory tests in 1975. Drilling of the first of these locations was to have commenced in late 1975, however, Amoco has delayed drilling at these sites for undisclosed reasons.

Early in 1976 Ram commenced leasing in the southwestern portion of the state, adjacent to the Wasatch hingeline, but still in the Great Basin. This

new area, where in March, 1976, Ram filed on 246,979 acres of federal and state oil and gas leases, is presumed to be within the paleoenvironment of Navajo (Nugget equivalent) sandstone deposition, adjacent to a basin hingeline and in front of the Sevier Orogenic belt, where there is evidence of thrusting.



OIL AND GAS EXPLORATION

MICHIGAN

County	Leasehold		Royalty	
	Gross Acres	Net Acres	Gross Acres	Net Acres
1 Allegan	225	80	—	—
2 Alpena	655	456	—	—
3 Antrim	7,896	5,635	—	—
4 Benzie	637	513	359	65
5 Charlevoix	2,304	1,765	—	—
6 Clinton	5,383	2,691	—	—
7 Crawford	5,614	4,080	200	19
8 Eaton	3,427	1,355	—	—
9 Grand Traverse	943	451	4,797	817
10 Hillsdale	5,034	5,034	—	—
11 Ingham	900	205	—	—
12 Jackson	2,389	592	—	—
13 Kalkaska	498	318	1,028	67
14 Leelanau	953	953	—	—
15 Livingston	210	52	—	—
16 Macomb	1,683	1,022	—	—
17 Manistee	3,427	1,842	4,960	886
18 Mason	1,076	743	399	121
19 Montmorency	613	495	—	—
20 Muskegon	80	40	—	—
21 Newaygo	631	315	—	—
22 Oakland	7,975	4,605	—	—
23 Oceana	1,000	460	—	—
24 Osceola	1,042	364	—	—
25 Oscoda	2,775	1,453	—	—
26 Otsego	1,125	438	840	11
27 Ottawa	5,224	2,612	—	—
28 Presque Isle	1,174	802	—	—
29 St. Clair	595	446	—	—
30 Tuscola	1,098	549	—	—
31 Wexford	695	176	1,045	214
TOTAL	67,281	40,542	13,628	2,200

ONTARIO

32 Lambton	40,309
33 Kent	2,424
34 Essex	26,846
TOTAL	69,579

MICHIGAN (MICHIGAN BASIN)

LEASEHOLD INTERESTS

Ram Petroleum Inc., your company's wholly owned United States subsidiary, has more than 40,000 net acres under lease in the State of Michigan, up 5,000 acres from holdings at the year-end 1974. During the past year, Ram and partners completed a 211 mile seismic program along the north Michigan pinnacle reef play and in other areas of the state where new reef and other plays are currently in the making. Several new geophysical anomalies have been uncovered on acreage in which Ram has interests ranging from 12.5% to 75%. Ram, together with other interest holders, drilled nine exploratory tests during the year on seismic anomalies along the North Michigan reef trend, with good results. Two of the tests discovered new pinnacle reefs and two are believed to have found extensions of previously discovered reefs. Out of these four tests, three wells have been completed as flowing oil wells and one is suspended pending the installation of surface pumping equipment.

ROYALTY INTERESTS

Ram owns varying royalty interests in over 2,000 net acres in the North Michigan pinnacle reef trend. As of April 1, 1976, 24 wells are on production out of 36 in which Ram owns a royalty interest. All but two of these wells are owned by Shell Oil Company.

NEW PRODUCTION (1975)

Location	Miller # 1-20	Valiquett # 2-15	Berry # 1-14	Blaha # 1-10
Township	Bear Lake	Bear Lake	Cleon	Bear Lake
County	Manistee	Manistee	Manistee	Manistee
Percentage owned	50%	30%	50%	50%
Number of wells drilled	1	1	1	1
Producing wells	1	1 (1 Shell oil well in reef)	1 (1 Shell dry hole in reef)	1
Oil in place	Not established	Not established	Not established	Not established
Production start	November 1975	May 1976 (expected)	June 1976 (expected)	30 day pump test — June 1976
Production rate				
Oil (bbls)	250	300	300	Marginal well
Gas (mcf)	100	300	250	Pump test will determine rate

ONTARIO (MICHIGAN BASIN)

LAMBTON AND KENT COUNTIES

Ram has approximately 42,000 acres under lease in the pinnacle reef belt of Lambton and Kent Counties, southwestern Ontario, where oil and gas are found in formations of Silurian age.

During the year Ram completed a 43.07 mile seismic survey over portions of its Lambton County acreage which appeared promising in previous surveys. The 43.07 miles of seismic completed represents 50% of Ram's anticipated program for 1975. The reduced mileage was due to adverse weather conditions during the field season. The remainder of the 1975 program plus additional lines are expected to be completed during 1976.

In order to evaluate leases about to expire, Ram drilled a number of prospects which were supported by only fair seismic anomalies. All wells proved dry. The information obtained by this drilling will enable Ram to refine its future leasing and drilling programs in this area.

ESSEX COUNTY

Ram began acquiring leases in Essex County early in 1974 for a multiple well program to search for oil in the Trenton-Black River formations of Ordovician age.

Ram has 26,000 acres of oil and gas leases in Essex County and a four-well program has begun. The first well was spudded in January of 1976 and drilling is presently under way.

PRODUCTION

Ram's oil production from the Petrolia East Pool, discovered in 1972, continues at a low but stable rate. One interior reef location was drilled during the month of March, 1976, and the reefal producing zone has been cored. This core will give valuable information on the reservoir which may be used to design a stimulation treatment or a secondary recovery program to improve production.

DAVIS STRAIT

This is a very prospective area where sediments with a thickness of as much as 20,000 feet or more are expected to contain large reserves of hydrocarbons. Ninety percent of oil in the world has been found in sedimentary rock of the type believed to underlie this area.

In 1971, Ram farmed out its holdings in this area to Gulf Oil Canada Limited and Gulf U.S. Gulf completed an aeromagnetic survey during 1971 and extensive marine seismic surveys during the summer of 1973 and 1974 at no cost to your company. Late in 1975 Gulf relinquished its option, returning all oil and gas permits to Ram without earning any interest for work performed.

After surrendering thirteen permits Ram holds federal oil and gas exploration permits over 393,818 acres out of an original inventory of 1,087,410 acres, in the Labrador Sea off the east coast of Baffin Island adjacent to permits held by companies such as Imperial Oil Limited and Aquitaine Company of Canada Limited.

The program completed by Gulf has partially delineated two interesting structures, one on the northernmost block of permits and one on the southern.

Both of these structures are considered to be similar to structures found to be productive on the Labrador shelf. Ram is presently negotiating with several major oil companies towards a farmout arrangement which would allow for the drilling of at least two exploratory tests, one well on each of the permit blocks.

YUKON

For five years the Government of Canada, which controls oil and gas development in both the Yukon and Northwest Territories, has been formulating new regulations to govern exploration activity. During this time applications for permits have been accepted but no new permits have been issued.

In 1973 Ram applied for permits on 1,224,985 acres in the Yukon in order to establish a priority over other companies in this area of interest. The permit applications, with cash deposits, were received by the Government.

In 1975 Ram was advised by the Minister of Indian and Northern Affairs that its permit applications would not be accepted. The Minister's action has benefited Petrocan, the Government's own oil corporation, by allowing Petrocan the opportunity of obtaining lands that private companies had applied for several years earlier.

ARCTIC ISLANDS (SVERDRUP BASIN)

Ram has 179,995 acres of Federal Government exploratory oil and gas permits in the Sverdrup Basin of the Canadian Arctic Islands. These permits are favourably located with respect to known geological structures and recent gas discoveries.

Early in 1972 Ram farmed out two permits consisting of 107,504 acres off Amund Ringnes Island to Imperial Oil Limited which can earn a 25% working interest by satisfying work obligations up to August 9, 1980 in the amount of \$279,510. Imperial has the option of increasing its interest to 100%, subject to a 20% net profits interest to Ram, by drilling a test well to evaluate the Triassic Heiberg formation or to 10,000 feet whichever is the lesser. Imperial has not performed any exploratory work on these permits to date.

Subsequently, Ram farmed out two permits consisting of 72,491 acres on Axel Heiberg Island to Forest Oil of Canada, Ltd., a wholly owned subsidiary of Forest Oil Corporation of Denver, Colorado. Forest can earn a 25% working interest by satisfying work obligations to 1980 in the amount of \$192,101. Forest has the option of increasing its interest to 75% by drilling and completing a well on each of the permits. Ram may convert its remaining 25% working interest in any drilling tract to a 7½% gross overriding royalty. Forest Oil has not performed any exploratory work on these permits to date.

NORTHWEST TERRITORIES GREAT BEAR LAKE

In 1973 Ram Petroleums Limited sold its working interest in 550,058 acres of Federal oil and gas permits in the Horton River area of the Northwest Territories to Mobil Oil Canada Limited. Ram retains a 4% gross overriding royalty on these lands while Mobil continues to explore. An extensive seismic survey has been conducted over the past three years together with a surface geological survey.

The play is for basal Paleozoic sandstone production along the eastern edge of a wedge of Paleozoic sediments that hold potential for finding significant hydrocarbon reserves. In 1973 Ashland Oil Canada Limited discovered gas in the basal Paleozoic sands at Tedji Lake approximately 100 miles northwest of the permits in question. The pay zone in the Tedji Lake well was relatively thin and the same unit is felt to thicken to at least 250' toward the east.

While the current target in this play involves the basal Paleozoic sandstones, many participants in the play regard the underlying Proterozoic, sediments of pre-Cambrian age, as a potential horizon for entrapment of large hydrocarbon reserves similar to those uncovered in Siberia's Irkutsk Basin. It is felt that as the play progresses several tests may be deepened to test the potential of the many thousands of feet of Proterozoic sediments believed to exist in this area.

OFFSHORE NOVA SCOTIA (SCOTIA SHELF)

Ram has provincial exploratory permits on 666,970 acres offshore Nova Scotia on the Scotian Shelf, where extensive exploratory drilling has been carried out by Shell and Mobil in the area of the Sable Island and Primrose discoveries.

In 1972, Shell drilled the Primrose N-50 exploratory test some thirty miles east of Sable Island which confirmed the presence of a significant gas bearing structure. Two additional wells on the Primrose structure have confirmed the presence of a main gas zone uppermost of four pay zones found in the discovery well. The discovery well is located approximately three miles west of one of Ram's provincial permits.

In late 1972 Ram completed a 315 mile purchase of non-exclusive offshore seismic traversing or adjacent to Ram permits in the vicinity of Sable Island and in other areas of the Scotian shelf. During the summer of 1973 Ram shot an additional 72 miles of seismic within and in proximity to the Ram permits east of Sable Island in the vicinity of the Shell discovery on the Primrose structure. This seismic data has been processed and interpreted and appears encouraging, however, Ram does not have any additional exploratory program planned for the immediate future pending the outcome of the Federal-Provincial offshore jurisdictional dispute.

MINING

Ram holds interests ranging from 75% to 90% in 102 mining claims located mostly in Kamichisitit Township (formerly Township 168), Blind River District, Sault Ste. Marie Mining Division, Ontario. The prospect here is a deep-seated uraniferous conglomerate. An aeromagnetic survey conducted in 1975 will keep most of the mining claims in good standing until 1977. Ram is attempting to interest a larger company to carry out deep drilling to evaluate the property.

Ram is an 18% interest holder in the Harman Syndicate which has staked a number of lead-zinc occurrences in the Bonnet Plume Region of the Yukon. In addition, a copper showing was staked in the Redstone Region of the Yukon. At present the Syndicate is negotiating to farm out its holdings to a large company which would perform work to evaluate the showings for an interest in the properties

Ram, in conjunction with Taman Resources Limited, has acquired four mining claims covering a uranium occurrence in Palmerston Township, Ontario. A line cutting, trenching, and geological mapping program is presently under way at the property.

LIGNITE

In 1975 Ram reduced its holding of coal leases from 480 acres to 28,960 acres. Negotiations with the Government of Saskatchewan made it apparent that the Province had a policy which would make the profitable development of the lignite properties impossible. The reduced acreage will be held for the short term in the hope that an eventual change in government will make it possible to develop the property. The level of lignite exports from Saskatchewan is frozen pending development of new provincial regulations. It is possible that only exports to other parts of Canada will be permitted. If so, the largest market will be in southern Ontario. The cost of moving lignite by rail through the United States to Duluth, Minnesota and then by barge to southern Ontario is lower than a Canadian route. Therefore, the acreage retained has been selected because of its nearness to American rail facilities.

TREMOLITE

Your company carried out a program of trenching along the easterly strike of the known orebody in Palmerston Township, Ontario. The work indicated the continuation of the zone and accordingly Ram estimates that its probable reserves have increased to approximately 4 million tons of tremolitic material to a depth of 200 feet.

Tremolite is a chemically inert filler and binder which is used in the production of industrial ceramics, rubber, plastics and other products. Ram has increased its ownership in the property to 87.5% and also owns 53.42% of Taman Resources Limited, the company owning the remaining interest.

COAL

Ram owns 10,400 acres of coal leases in the South Manville area of Alberta. The leases, in conjunction with 5,120 acres of coal leases held by a partner, are believed to contain a seam of coal at about 2,300 feet which, based on an analysis of oil well logs, may contain about 500 million tons of coal. Until this seam is cored in a number of places it is impossible to estimate the quality of the coal or the possibility of establishing a profitable coal mining venture.

MEXTOR MINERALS LIMITED

Ram owns 91.6% of the outstanding shares of Mextor Minerals Limited which, in turn, owns 49% of Compania Minera de Pinabete, S.A. The last annual report described an agreement whereby a third party was granted an option to purchase Pinabete's silver property. Unfortunately certain of the requirements of the agreement could not be fulfilled and the option lapsed.

New mining laws have recently come into force in Mexico. A preliminary evaluation of these makes it apparent that conditions have become less favourable to foreign investors in Mexican mining companies. Consequently the terms of any future agreement will be decidedly less favourable to Pinabete and Mextor. Negotiations are under way at the moment so that a large company active in Mexican mining will assume the future development of the Pinabete silver property.

RAM PETROLEUMS LIMITED

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 1975

ASSETS

	1975	1974
		(restated, note 3)
Current		
Cash	\$ 3,964	\$ 46,157
Current portion of debenture, note 1	1,500,000	2,000,000
Marketable securities, at market value, note 2	164,346	97,251
Accounts receivable	511,823	341,809
Prepaid expenses	46,150	76,781
	<u>2,226,283</u>	<u>2,561,998</u>
 Debenture, note 1	 <u>1,500,000</u>	 <u>3,000,000</u>
Long Term Investment, note 3	 <u>970,952</u>	 <u>942,299</u>
 Capital Assets, note 4		
Cost	4,438,283	3,203,901
Less accumulated depreciation and amortization	<u>336,056</u>	<u>130,919</u>
	<u>4,102,227</u>	<u>3,072,982</u>
 Other Assets		
Government of Canada Bonds, at cost, market value \$32,433 (1974 — \$25,070), note 5	33,000	24,250
Other shares, at nominal value	1	1
Land, at cost	47,355	46,005
Sundry deposits and advances	<u>18,900</u>	<u>16,275</u>
	<u>99,256</u>	<u>86,531</u>
	<u><u>\$8,898,718</u></u>	<u><u>\$9,663,810</u></u>

LIABILITIES

	1975	1974
Current		(restated, note 3)
Bank indebtedness, note 6	\$1,541,628	\$1,196,621
Accounts payable and accrued liabilities	117,830	136,085
Income taxes	—	2,498
Convertible notes	—	235,000
Advance from director	—	274,000
Advance — other	117,500	—
	<u>1,776,958</u>	<u>1,844,204</u>
Deferred Income Taxes , note 7	304,000	509,000
Minority Interest in Subsidiary Companies	<u>95,141</u>	<u>61,072</u>

SHAREHOLDERS' EQUITY

Capital Stock

Authorized		
150,000 6% non-cumulative preference shares redeemable at par value \$1		
8,000,000 common shares, par value 25c		
Issued		
3,613,513 common shares	903,378	903,378
Premium on issue of shares less discount	1,026,806	1,026,806
	<u>1,930,184</u>	<u>1,930,184</u>
Retained Earnings	4,891,858	5,377,238
	<u>6,822,042</u>	<u>7,307,422</u>
Less 49,500 common shares at cost, note 8	99,423	57,888
	<u>6,722,619</u>	<u>7,249,534</u>

COMMITMENTS, note 5

STOCK OPTIONS, note 8

STATUTORY INFORMATION, note 9

FOREIGN EXCHANGE, note 10

EARNINGS PER SHARE, note 11

ANTI-INFLATION LEGISLATION, note 12

Approved on behalf of the Board:

R. J. OPEKAR, Director

H. R. BARCLAY, Director

\$8,898,718

\$9,663,810

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED 31 DECEMBER 1975

	1975	1974
Income		
Royalties	\$ 267,245	\$ 117,574
Gas sales	67,784	1,763,689
Oil sales	316,549	263,315
	651,578	2,144,578
Less direct expenses	30,710	56,357
	620,868	2,088,221
Interest and dividends earned	321,498	292,326
	942,366	2,380,547
Exploration and Development Expenses		
Abandoned well costs, leases and mining claims	403,234	278,592
Oil, gas and mining consulting fees	10,209	11,313
Lease and royalty payments	313,756	267,863
Exploration	599,171	884,717
	1,326,370	1,442,485
Administrative and General Expenses		
Management fees	31,000	28,667
Directors' fees	6,450	—
Rent	23,695	24,060
Depreciation of office equipment, automobiles and amortization of improvements to leased premises	9,300	8,824
Salaries	114,267	82,312
Travel and promotion	8,961	5,772
Legal and audit	26,681	31,586
Transfer agent and stock exchange fees	2,466	3,925
Interest	52,335	158,129
Corporate and office	44,638	48,751
Adjustment of bad debt allowance	(3,515)	—
Miscellaneous	11,724	8,414
	328,002	400,440
Less: Gain on exchange	29,175	21,814
	298,827	378,626
	1,625,197	1,821,111

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 1975

Income (Loss) Before Undernoted Items	(682,831)	559,436
Gain on sale of securities	(5,662)	—
Provision for decline in market value of marketable securities	14,211	132,975
	8,549	132,975
Income (Loss) Before Income Taxes	(691,380)	426,461
Current income taxes (refundable)	(1,000)	2,498
Deferred income taxes (reduction), note 7	(205,000)	442,000
	(206,000)	444,498
Loss for the Year Before Extraordinary Item	(485,380)	(18,037)
Extraordinary Income, note 1	—	5,204,836
Net Income (Loss) for the Year	(485,380)	5,186,799
Consolidated retained earnings, beginning of year	5,377,238	190,439
Consolidated Retained Earnings, End of Year	<u>\$4,891,858</u>	<u>\$5,377,238</u>

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 1975

	1975	1974 (restated, note 3)
Source of Funds		
Operations		
Loss for the year before extraordinary item	\$ —	(\$ 18,037)
Add: Items not involving funds		
Amortization and depreciation	—	268,350
Deferred income taxes	—	442,000
	—	692,313
Extraordinary income	—	5,204,836
Capital assets sold	—	45,670
Decrease in Government Bonds	—	56,037
Increase in minority interest	34,069	15,857
Decrease in long term portion of debenture	1,500,000	—
	<u>1,534,069</u>	<u>6,014,713</u>
Application of Funds		
Loss for the year	485,380	—
Less: Items not involving funds		
Amortization and depreciation	(622,142)	—
Deferred income taxes reduction	205,000	—
	68,238	—
Long term portion of debenture, note 1	—	3,000,000
Increase in long term investment	28,653	44,699
Capital assets acquired	1,651,387	999,714
Increase in Government Bonds	8,750	—
Increase in other assets	3,975	10,150
Common shares acquired, note 8	41,535	57,888
	<u>1,802,538</u>	<u>4,112,451</u>
Increase (Decrease) in Working Capital	(268,469)	1,902,262
Working capital (deficiency), beginning of year	717,794	(1,184,468)
Working Capital, end of year	<u>\$ 449,325</u>	<u>\$ 717,794</u>

AUDITORS' REPORT

To the Shareholders
Ram Petroleums Limited

We have examined the consolidated balance sheet of Ram Petroleums Limited and subsidiary companies as at 31 December 1975 and the consolidated statements of income and retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, subject to the tax contingency referred to in note 1 and the recovery of long term investments referred to in note 3, these consolidated financial statements present fairly the financial position of the companies as at 31 December 1975 and the results of their operations and changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario
9 March 1976

DUNWOODY & COMPANY
Chartered Accountants

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 1975

1 Debenture and Extraordinary Income

In 1974 the company took back a debenture as part consideration for the sale of certain assets. The debenture bears interest at 1% above the prime lending rate of the purchaser's main banker and the balance is payable as follows:

On 1 January 1976	\$1,500,000
On 1 January 1977	1,500,000

In the opinion of counsel, the amount of \$5,204,836 received in 1974 for other rights is properly treated for tax purposes as the proceeds of disposition of a capital property and not a Canadian resource property as those terms are defined in the Income Tax Act. The company has been advised that on valuation day, 31 December 1971, the fair market value of such rights was greater than the sale price received. Accordingly, no income taxes have been provided in respect of this amount. To the extent that any portion or all of the said amount of \$5,204,836 is found to be the proceeds of disposition of a Canadian resource property, such amount would constitute income for tax purposes.

2 Marketable Securities

Marketable securities consist of the following securities:

Number of Shares	Name	Market Value
75,100	Magnetics International Ltd.	\$ 23,281
10,000	Pine Tree Explorations Ltd.	400
10,000	Transair Limited	15,100
10,000	Union Oil Company of Canada Ltd.	73,750
25,500	Yellowknife Bear Mines Ltd.	51,675
2,000	Raylloyd Mines and Exploration Ltd.	140
		<u>\$164,346</u>

3 Subsidiary Companies and Long Term Investment

The consolidated financial statements include the accounts of the company's wholly-owned subsidiary company, Ram Petroleum Inc., and the accounts of Mextor Minerals Limited and Taman Resources Limited, which are 91.6% and 53.42% owned respectively.

Mextor Minerals Limited

The only asset of Mextor Minerals Limited is a long term investment in a Mexican company, Compania Minera de Pinabete, S.A. ("Pinabete"), made up as follows:

	1975	1974
Cost of shares in Pinabete — see note (a)	\$216,761	\$198,127
Advances to Pinabete — see note (b)	651,515	641,369
Excess of purchase price on acquisition — see note (c)	102,676	102,803
	<u>\$970,952</u>	<u>\$942,299</u>

(a) COST OF SHARES IN PINABETE

The company's interest in the exploration projects of Pinabete commenced with agreements made in 1969 and amended in November 1971, with the Mexican owner of substantially all the outstanding shares of Pinabete. Under the terms of the agreements, the company obtained title to the major shareholder's 1,223 Class "B" shares, which shares represent a 48.92% interest in Pinabete. Of the total cost of \$216,761, a sum of \$56,993, plus interest at 12% per annum is repayable to the company by the major shareholder, but is limited to the proceeds which can be realized from the sale of the major shareholder's Class "A" shares of Pinabete (representing 50.92% interest) to other Mexican nationals within the period to the year 2000.

The cost of the company's investment in Pinabete will not be established until future periods and is dependent upon the future productivity of Pinabete's exploration projects.

(b) ADVANCES TO PINABETE

The principal portion of the company's advances to Pinabete have been spent in the Republic of Mexico on deferred expenditures on mining concessions which are either held by Pinabete or of which Pinabete is the beneficial holder. These concessions are near Guadalajara, Mexico, and Pinabete has the right to develop certain other properties under option agreements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 1975

The policy of both companies is to defer expenditures until the exploration work results in discovery and acquisition of commercially mineable properties, at which time the direct exploration costs are capitalized and amortized over the life of the properties, or, to write off the expenditures if the results of the exploration work are negative.

- (c) The excess is the amount by which the cost of shares in Mextor Minerals Limited exceeded their book value when purchased by Ram Petroleums Limited.

Pinabete has had no income to 31 December 1975 and its assets are represented essentially by deferred expenditures.

A lawsuit, to which Pinabete has been joined, has been filed against the vendor of the Pinabete silver property claiming that the mineral rights of the mines were not legally granted to Pinabete. In the opinion of management and the legal counsel of Pinabete, the possibility of the lawsuit succeeding is remote.

Taman Resources Limited

Effective 31 December 1974 the company acquired shares in Taman Resources Limited giving it control of that company, through ownership of 53.42% of the issued share capital at a total cost of \$16,991 for cash. The accounts of this subsidiary are included in these consolidated financial statements and 1974 figures have been restated to conform with this presentation.

4. Capital Assets

	1975		1974	
	Cost	Accumulated Depreciation and Amortization	(restated, note 3) Cost	Accumulated Depreciation and Amortization
Interest in natural gas and oil leases	\$1,583,816	\$ 68,786	\$1,453,546	\$ 16,439
Equipment	173,845	44,721	140,343	37,368
Development costs deferred	1,697,048	208,563	419,491	45,381
Automobiles	41,487	13,986	18,495	8,688
Exploration and prospecting permits and licences	363,017	—	406,920	—
Exploration and prospecting costs deferred	579,070	—	765,106	23,043
	<u>\$4,438,283</u>	<u>\$ 336,056</u>	<u>\$3,203,901</u>	<u>\$ 130,919</u>

AMORTIZATION AND DEPRECIATION POLICY

Amortization of gas and oil leases, and deferred development costs, and depreciation of production equipment is based on the estimated net recoverable oil reserves and the contracted quantities of gas sales.

The accumulated development and lease acquisition costs of abandoned wells are written off in the year of abandonment.

Exploration, prospecting and lease acquisition costs are written off against revenue earned from subsequent production. If in any year, an exploration project is abandoned, the applicable accumulated costs are written off in that year.

Automobiles are depreciated at the rate of 30% per annum on the declining balance.

5. Commitments

- (a) The company has deposited \$33,000 par value Government Bonds as a guarantee that exploration expenditures equal thereto will be made.
- (b) The company has leased premises at a basic annual rental of \$20,140 until 1984.

6. Bank Indebtedness

The bank indebtedness is secured by a general assignment of debts and the company has lodged certain of its securities as collateral security.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 1975

7. Deferred Income Taxes

For income tax purposes the company has claimed tax reserves and expenses in excess of those recorded in the accounts, which result in a deferral of tax of \$304,000 to date.

8. Stock Options

100,000 common shares have been set aside for the company's key executives and employees, to be purchased at a price not less than 90% of the fair market value of the shares when the options are granted, exercisable as specified by the Board of Directors, within a period of not more than ten years ending 31 December 1984.

During the year the company purchased 18,500 (49,500 to date) shares of its own stock on the open market for use in meeting its potential obligations under the employees stock option plan. The market value at 31 December 1975 was \$143,550.

9. Statutory Information

	1975	1974
Remuneration of directors and senior officers (as defined by The Business Corporations Act)	<u>\$91,079</u>	<u>\$66,716</u>

10. Foreign Exchange

The assets, liabilities and operations of Ram Petroleum Inc., one of the wholly-owned subsidiaries, which are in U.S. dollars, have been converted at par.

11. Earnings Per Share

	1975	1974
Income (loss) before extraordinary item	(.14)	(.01)
Net income (loss) for year	(.14)	1.45

12. Anti-Inflation Legislation

The company is subject to dividend restrictions under provisions of the Federal Anti-Inflation Act.



RAM PETROLEUMS LIMITED
and subsidiary companies

**CONSOLIDATED STATEMENT
OF CHANGES IN FINANCIAL POSITION**

for the month ended June 30, 1975
(unaudited)

	1975	1974
Source of Funds		
Operations		
Loss for the period . . .	\$ (343,934)	\$ (275,572)
Add: Items not requiring an outlay of funds; Amortization and depreciation	28,255	23,328
	(315,679)	(252,244)
Current portion of debenture, due January 1, 1976	1,500,000	—
Decrease in government bonds	—	51,110
	1,184,321	(201,134)
Application of funds		
Increase in long term investment	18,349	22,141
Capital assets acquired .	421,751	801,547
Increase in other assets .	87,250	3,278
Decrease in minority interest	94	577
Common shares acquired	4,971	—
	532,415	827,543
Increase (decrease) in working capital	651,906	(1,028,677)
Working capital (deficiency), beginning .	720,126	(1,184,468)
Working capital (deficiency), ending . . .	\$1,372,032	\$ (2,213,145)

AR36

RAM PETROLEUMS LIMITED
(Incorporated under the laws of Ontario)

Executive and Head Office	Suite 520 The Simpson Tower 401 Bay Street Toronto, Ontario M5H 2Y4
Directors	HOWARD R. BARCLAY RICHARD H. KREMPULEC RALPH W. McDOWELL ROBERT J. OPEKAR R. BREDIN STAPELLE, Q.C.
Officers	ROBERT J. OPEKAR, President HOWARD R. BARCLAY, Vice-President RICHARD H. KREMPULEC, Secretary
Exploration Manager	CYRIL J. HADLEY, P.Geol., P.Eng.
Transfer Agents	THE METROPOLITAN TRUST COMPANY Toronto, Ontario THE BANK OF BUTTERFIELD EXECUTOR AND TRUSTEE COMPANY LTD. Hamilton, Bermuda
Auditors	DUNWOODY & COMPANY Toronto, Ontario
Banker	THE BANK OF NOVA SCOTIA 44 King St. W. Toronto, Ontario
General Counsel	STAPELLE & SEWELL Toronto, Ontario

Ram Petroleums Limited

Interim Report
For the Six Months
Ended June 30, 1975

To the Shareholders:

I am pleased to announce an important development which may give your company exposure to an exploration play developing in the disturbed belt of northeastern Utah in an area north of an important recent Nugget Sand oil discovery. Ram and Cities Service Oil Company, a major U.S. integrated company with a long history of exploration in the Rocky Mountain region, have agreed to merge their acreage holdings, mostly located in Townships 9 to 13 in Ranges 8 and 9, Rich County, Utah, and divided into three blocks designated A, B and C. Cities will contribute approximately 43,000 net acres and Ram 23,000 net acres resulting in an interest of approximately 2/3 Cities and 1/3 Ram throughout 66,000 acres. The exact percentage of ownership will be determined by an exact net acre ratio upon final documentation.

Concurrently with this agreement Cities and Ram have granted a six months option to American Quasar Petroleum Company to do geophysical work, evaluate same and commit to drill a well on the Ram-Cities acreage in either Blocks A, B or C. Six months after completion of the initial test American Quasar will commence the drilling of a second well within either of the two remaining blocks and upon completion of it will have an additional six months to commence a well upon the third block. Upon completion of the initial test in each block, American Quasar will earn a 50% interest in the acreage in addition to 100% interest in the drilled well subject to Ram-Cities retaining a 1/16 of 8/8 overriding royalty during payout with the option to convert the said override to a 50% working interest.

We are most optimistic that this agreement will greatly accelerate your company's exposure to a drilling play which has already resulted in one major oil discovery and which we feel will be one of the most exciting in the continental U.S. during the next few years. Deep exploratory wells in this area are anticipated to cost between \$2,000,000 and \$4,000,000 each.

Exploration activity in Michigan and Ontario remains at a low level. Our Jack F. Andrews #1-7, Albert Township, Montmorency County, Michigan, in which we had a 75% interest, was a disappointing dry hole. A Cambrian test in Raleigh Township, Kent County, Ontario, in which your company had a 50% interest was also unsuccessful. On the other hand seismic, gravity and other evaluation programmes were extremely successful and we expect some significant drilling successes in Michigan and Ontario before the year is out.

Your 92% owned subsidiary, Mextor Minerals Limited, through its Mexican affiliate, Cia. Minera de Pinabete, S.A., has optioned its main silver property in Nayarit State to a major company subject to Pinabete meeting two conditions. The first of these is the termination of a frivolous legal action to which Pinabete has been joined. Steps to meet this condition have been taken already and the company expects that this matter will be settled soon. The second condition would require the holding of certain directors' meetings to ratify the option agreement, a requirement Pinabete should have no trouble meeting.

Once these conditions are met the company with the option will be required to spend \$180,000 U.S. in the evaluation of the property within a period of nine months. Prior to the termination of the option period it will have to give notice to exercise its option or return the property to Pinabete. In the event that the option is exercised \$1,000,000 U.S. becomes payable forthwith and an additional \$5,000,000 U.S. will be payable out of 50% of the future net profits of the silver mine.

In the event that the option is exercised Mextor would be able to repay to Ram its advance which amounted to \$262,502 on June 30, 1975 and still retain a strong working capital position.

On Behalf of the Board,

R. J. OPEKAR,
President.

August 15, 1975.

RAM PETROLEUMS LIMITED

and subsidiary companies

CONSOLIDATED STATEMENT OF INCOME

for the month ended June 30, 1975

(unaudited)

	1975	1974
Revenue from oil and gas production	\$ 125,514	\$ 99,820
Revenue from royalty interest	49,729	31,426
	<u>175,243</u>	<u>131,246</u>
Less expense	13,546	19,962
	<u>161,697</u>	<u>111,284</u>
Other revenue	151,604	1,581
	<u>313,301</u>	<u>112,865</u>
Exploration and development expenses . .	504,493	169,404
Administrative and general expenses	143,241	138,923
	<u>647,734</u>	<u>308,327</u>
Loss before undernoted items	334,433	195,462
Profit (loss) on sale of securities	6,449	(110)
Provision for decline in market value of marketable securities	(15,950)	(80,000)
	<u>(9,501)</u>	<u>(80,110)</u>
Net loss for the period	<u>\$ (343,934)</u>	<u>\$ (275,572)</u>